



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: April 29, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: Land Sale Public Hearing
Hollywood Theatre Redevelopment Project

Recommendation:

1. Approve the sale of 2815-2819 Johnson Street NE for \$1 to Out of the Past Redevelopment, LLC, an entity controlled by Andrew Volna
2. Authorize appropriate City officials to enter into a Redevelopment Contract and related documents in accordance with the terms herein.

Previous Directives: August 27, 1993: Minneapolis Community Development Agency ("MCDA") Board directed staff to acquire and stabilize the Hollywood Theater. September 16, 1994: MCDA Board granted Exclusive Development Rights to Hollywood Theater Preservation, Inc. for a period of one year. September 29, 1995: MCDA Board extended Hollywood Theater Preservation, Inc.'s Exclusive Development Rights for one year subject to certain conditions. May 24, 1996: MCDA Board concurred with staff that Hollywood Theater Preservation had adequately addressed the September 1995 goals. September 13, 1996: MCDA Board extended Hollywood Theater Preservation Inc.'s Exclusive Development Rights for an additional two months. December 20, 1996: MCDA Board rescinded Hollywood Theater Preservation, Inc.'s Exclusive Development Rights. July 17, 1999: MCDA Board granted Exclusive Development Rights to Fun In A Half Productions for 120 days to see if the proposed developer could obtain bids to complete the proposed rehabilitation and begin operation of the theater for under \$1,000,000 pursuant to the revised Scope of Restoration Agreement. August 11, 2000: MCDA Board directed staff to work with Fun In A Half Productions to determine whether agreement could be reached on a feasible plan and terms to implement the proposed rehabilitation and reuse of the theater. September 29, 2000: MCDA Board approved \$141,000 in Community Economic Development Fund ("CEDF") funding for environmental remediation of the Hollywood Theater. August 9, 2002: the City of Minneapolis (the "City") accepted a \$160,000 Metropolitan Council environmental remediation grant concurrent with the MCDA Board redirecting \$141,000 in CEDF funds previously approved for environmental remediation and increasing that amount to \$249,000 to fund stabilization of the theater. July 26, 2003: MCDA granted Exclusive Development Rights to the Hollywood Theater property to the Awsumb Development team to December 31, 2003, granted preliminary concept approval to the uses and funding concepts under consideration, and directed staff to work with the Awsumb team to develop a feasible option(s) for the historic rehabilitation and reuse of the Hollywood Theater and the 2800 Johnson site. June 18, 2004: City approved project analysis authorization and fee,

extension of exclusive development rights to Awsumb Development team to December 31, 2004, preparation of redevelopment plan, continued analysis of funding concepts, pursuit of tax abatement with Hennepin County for proposal submitted by Awsumb and Associates. November 7, 2008: the City approved a Redevelopment Plan for the Hollywood Theater and related properties and authorized \$255,000 from the appropriated 2008 Community Development Block Grant for the Great Streets program to acquire and perform site preparation of 2819 Johnson St NE, adjacent to the theater site. December 14, 2012: the City granted exclusive development rights to Andrew Volna and authorized staff to negotiate terms of a Redevelopment Contract.

Prepared by: Miles Mercer, 612-673-5043

Approved by: Charles T. Lutz, Interim CPED Director

Catherine A. Polasky, Director Economic Policy & Development

Presenter in Committee: Miles Mercer

Financial Impact

- Elimination of future property management costs estimated at \$7,200 per year.
- Proposed Total CPED Land Assembly Costs (Write-off): \$258,899
- Proposed Sales Price Write-down from Re-Use Value Appraisal: \$0

Community Impact

- Neighborhood Notification: Andrew Volna met with the Audubon Neighborhood Association (ANA) on his project on September 10, 2012, June 3, 2013, and February 3, 2014. The ANA Board submitted a letter of support for granting Volna development rights and provided an updated letter of support for selling the property to Volna.
- City Goals: Great Places, A hub of economic activity and innovation
- Comprehensive Plan: The site is located in a Neighborhood Commercial Node and Community Corridor and guided for Mixed Use. On March 3, 2014 the Planning Commission approved the property sale as consistent with the Comprehensive Plan.
- Zoning Code: The property is zoned C-1, Neighborhood Commercial
- Other: The Hollywood Theater is a locally-designated historic landmark and, as of February this year, is listed on the National Register of Historic Places.
- On February 6, 2014, the planning Staff completed a land sale review of these parcels and deemed the proposed use consistent with policy guidance.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
2-10,11	2815 Johnson Street NE	\$1.00*
2-12	2819 Johnson Street NE	

*The sale price is consistent with a CPED-commissioned appraisal from February 2013 that found that the property had a negative value.

PURCHASER

Out of the Past Redevelopment, LLC, an entity controlled by Andrew Volna
1325 Winter Street NE
Minneapolis, Minnesota 55413

LAND DISPOSITION POLICY:

The property is being sold for development and will be rehabilitated as permitted by City policy.

OFFERING PROCEDURE:

Advertisement/Direct Sale. The sales price of this property reflects the re-use value.

Property Background

The Hollywood Theater property includes two parcels in Minneapolis, 2815 and 2819 Johnson Street NE. The Hollywood Theater building is located at 2815 Johnson and has been a locally designated historic landmark since 1990 and on the National Register of Historic Places since February of this year. 2819 Johnson is a now-vacant lot on the northern side of the theater building. Both of these properties are zoned C-1, Neighborhood Commercial.

The Minneapolis Community Development Agency (MCDA) acquired 2815 Johnson in 1993. The property had been vacant since 1987 and was rapidly falling into disrepair. MCDA stepped in to prevent the certain loss of this historic structure, and MCDA and the City have invested significant resources to stabilize the property, including fixing the roof, remediating asbestos and lead, and heating the building to prevent freeze-thaw damage.

The City acquired 2819 Johnson in Fall 2008 to provide space for uses such as parking, site access, or complementary improvements that could facilitate redevelopment of the theater building, which is built to the lot lines and currently has no dedicated parking.

MCDA and the City issued several Requests for Proposals over the years, none of which resulted in a viable project. Since the most recent RFP in 2009, the property has been listed for-sale which has involved a listing on the regional online commercial property database, a for-sale sign mounted on the building, information posted on the CPED website, annual open houses, temporary uses that have brought attention to the building, and multiple press articles.

Current Opportunity

In 2012, Andrew Volna, a local developer, expressed an interest to the City in rehabilitating the property. Through that year, Andrew and his consultant, Preservation Design Works, conducted preliminary assessments of the design, engineering, preservation, cost, financing, and community issues that would be involved in a renovation of the building. Their preliminary assessments were positive so Volna and team were willing to continue their work and sought exclusive development rights to the property to complete further analysis. In December 2012, the City granted Volna exclusive development rights for a period of twelve months with a possible extension for another six months approvable by the CPED Director, which CPED granted this past December.

Since then, Volna and team have refined their design and development plan, completed further cost estimating, secured the listing of the property on the National Register of Historic Places, provided feedback on improvements made to the building's storm water and natural gas utilities, engaged with the local community, secured funding, and negotiated the terms of a Redevelopment Contract for the sale of the property.

Volna's concept for the Hollywood property is to tenant the building with a financially viable commercial user, most likely a business that values a creative space. Volna has succeeded with this approach renovating other older commercial buildings located in the east side of Minneapolis.

Volna has not yet secured a user of the building. However, he is willing to take ownership of the property and complete and pay for a certain scope of improvements to the building. These improvements will respect the historic features of the building and follow historic preservation requirements. Also, the improvements will be done in such a way that the building could be used for a theater use in the future, if such a use became viable.

The improvements will provide needed stability to the exterior masonry and architectural features of the building. These improvements will also improve the attractiveness of the property to the community and increase the marketability of the property to an end user.

Once Volna secures a user, he would then complete the build-out of the space and installation of new building systems (e.g. plumbing, electrical, etc.).

This approach provides the Hollywood Theater property with some much needed improvements funded with private dollars that will further the preservation of this historic building. The improvements and Volna's marketing efforts will also better position the property to attract an end user to the property.

More specifically, under the terms of the Redevelopment Contract, Volna will:

- Purchase the property for \$1.00, which is consistent with a CPED-commissioned appraisal that found that the building has a negative value because of the improvements it needs
- Complete the Minimum Improvements, which include the rehabilitation of the primary exterior and facade, exterior marquee, sign and canopy as well as the following interior improvements: (i) rehabilitation of the outer lobby; (ii) reconstruction of the ticket booth; (iii) preservation of historic elements of the inner lobby and main auditorium; and (iv) stabilization of the basement
- Pay a Good Faith Deposit of \$10,000
- Complete the Minimum Improvements within 22 months of closing on the property
- Have the right for 10 years to participate in negotiations to acquire use rights for any parking spots created as part of a future development on the City-owned 2800 Johnson Street lot located across the street

Recommendation

Staff recommends approval of the sale of 2815-2819 Johnson Street NE to Out of the Past Redevelopment, LLC, an entity controlled by Andrew Volna under the terms outlined in this report.

Authorizing sale of land Hollywood Theatre Redevelopment Project Disposition Parcels 2-10,11 and 2-12.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels 2-10,11 and 2-12 in the Audubon Park neighborhood, from Out of the Past Redevelopment, LLC, hereinafter known as the Redeveloper, the Parcel(s) 2-10,11 and 2-12, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

2-10,11; 2815 Johnson Street NE

Lots 10 and 11, Block 2, Richardson's Second Addition to Minneapolis

2-12; 2819 Johnson Street NE

Lot 12, Block 2, Richardson's Second Addition to Minneapolis

Whereas, the Redeveloper has offered to pay the sum of \$1, for Parcels 2-10,11 and 2-12; the offer includes a development plan and commitment to improve by rehabilitating the existing structure. This offer is in accordance with the Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has obtained a re-use value from an appraisal expert for the purpose of determining a re-use value for the Parcel consistent with accepted methods of appraisal; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, April 18, 2014, a public hearing on the proposed sale was duly held on April 29, 2014, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

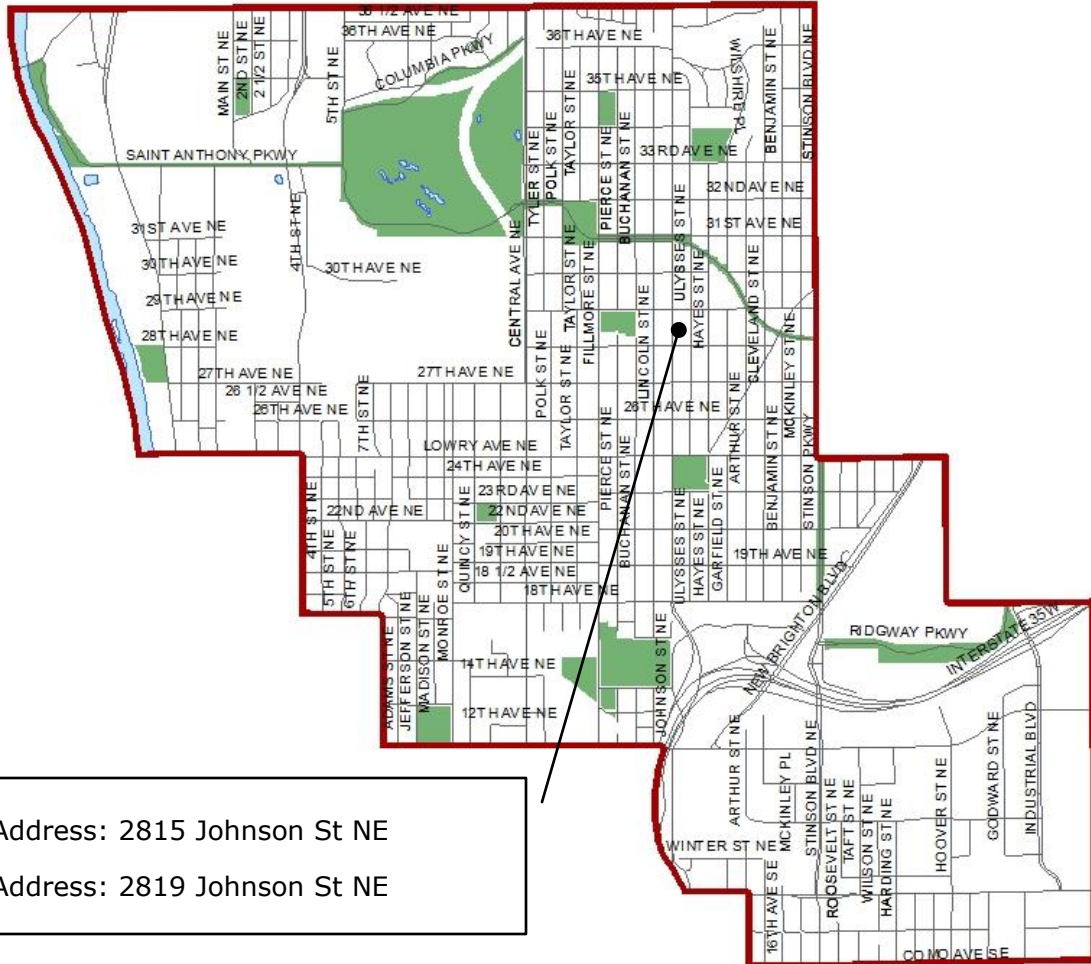
That the re-use value, for uses in accordance with the Hollywood Theatre Redevelopment Project plan, as amended, is hereby estimated to have a negative value, for Parcels 2-10,11 and 2-12.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate official of the City.

Ward 1



Address: 2815 Johnson St NE
Address: 2819 Johnson St NE



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: March 18, 2014
 Subject: Land Sale – Public Hearing
 Hollywood Theatre Redevelopment Project
 Address: 2815-2819 Johnson Street NE
 Purchaser: Out Of The Past Redevelopment, LLC, an entity controlled by Andrew Volna

	A	B	C	D	E	F	G
Address	Purchase Price	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off or Sale Proceeds (if > 0)	Re-Use Value Write Down
			(A+B)			(E-C)	(E-D)
2815 Johnson St	\$20,000	\$0	\$20,000	\$1	\$1	(\$19,999)	\$0
2819 Johnson St	\$222,352	\$16,548	\$238,900			(\$238,900)	\$0
Total	\$242,352	\$16,548	\$258,900	\$1	\$1	(\$258,899)	\$0

The re-use value opinion was determined by an appraisal from February 2013.

Developer History with CPED: Developer has been working closing with CPED on the assessment of the Hollywood Theater property, the pursuit of National Historic Register designation, and capital improvements to the property.

Developer Information:

- ☐ Single Individual(s)
- ☐ Married Individual(s)
- ☐ Limited Liability Partnership of the State of Minnesota
- ☒ Limited Liability Company of the State of Minnesota
- ☐ Corporation of the State of Minnesota
- ☐ Nonprofit Corporation of the State of Minnesota
- ☐ Other